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SUBJECT: MOSCOW STATE UNIVERSITY'S SCIENCE PARK SUCCESSFUL IN
PROMOTING INNOVATION

REFS: A) 09 Moscow 2885, B) 09 Moscow 2782, C) 09 Moscow 0333

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¶1. (SBU) Summary: Over the past five years, Moscow State University's (MSU) Science Park has launched 85 high-tech start-up, mostly in the IT and biotech fields. Raising awareness of the importance of IPR protection is a key MSU priority. With its science park and other innovative activities, MSU is at the forefront of President Medvedev's efforts to increase innovation by commercializing research and producing the skilled high-tech specialists needed to modernize Russia's economy. Even though they do not have MSU's powerful high-tech cluster or political clout, other universities and scientific institutes are still optimistic that they will be able to take good advantage of an August 2009 law that permits them commercialize research results by establishing small innovative enterprises. End Summary.

¶2. (SBU) On December 10, Environment, Science and Technology, and Health section staff and Post's Intellectual Property Attache joined a visiting U.S. Patent and Trademark Office (USPTO) attorney on a visit to MSU's Science Park. Established in 1992 with initial funding from the university, Ministry of Science (precursor to the Ministry of Education and Science), and private sources, MSU's Science Park is a joint stock company that stimulates innovation at MSU and in the Moscow region by helping MSU's 5000 students and scientists (including 170 Russian Academy of Sciences academicians) start businesses based on technologies developed at MSU. The oldest of Russia's approximately 50 science parks, the MSU Science Park now brings in enough income from rent and its services to be fully

self-sustaining. However, both MSU Rector Sadovnichiy and Minister of Education and Science Fursenko remain on its Board of Directors. Its 2.5 acre campus includes an Information Technology Center and eight smaller buildings in which 2,500 employees work in approximately 45 high tech companies (60 percent in IT/software and 40 percent in telecom, biotech/ecology and new materials). Several MSU Science Park companies are well-known and profitable, including the DEC software center, REDLAB (part of Sun Microsystems), GARANT (producer of Russian legislation databases), Intelligent Security Systems, and three of Russia's most popular search engines: RAMBLER, APPORT, and NIGMA.

Two MSU Successes: Nanocatalysts and Influenza Drug

13. (SBU) During a brief tour, Oleg Movsesyan, Science Park Chief Executive Officer, explained that MSU actively reaches out to prospective clients interested in launching high tech companies. MSU Science Park employees provide clients with information, training, fundraising support, advice in business plan development and IP protection, and even assistance in finding investment at every developmental stage, from idea to start-up. Companies do not pay fees for services rendered until they have officially formed. The Science Park boasts impressive results; it has accepted 197 applications since 2004 and helped give life to 85 new start-ups (not all choose to rent office space on the premises) with an average turnover of \$300,000. Movsesyan highlighted a September 2009 investment of \$10 million by the Russian Corporation for Nanotechnologies (Rusnano) and Russian Venture Fund (RVS) into "Start-Catalisator," a small start-up launched in 2006, for testing and prototype development of nanocatalyst devices for cleaner associated gas in oil fields. Movsesyan lauded MSU Science Park start-up "MolTech Ltd" for winning first prize in Russia's 2008

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Innovation Convention for designing a pharmaceutical drug called "Grippaverin," that mitigates influenza symptoms and is currently on sale in the Russian market. (Note: We visited a few pharmacies, but were unable to find Grippaverin. End note.)

Nano Education and Innovation Activities at MSU

14. (SBU) MSU Science Vice-Rector Aleksey Khokhlov explained that MSU's technology cluster includes the Science Park, supercomputer, Institute of Carbonic Materials and Technologies, Center of Natural Resources, BioIncubator, and a new Nano Research and Educational Center. Earlier that day, Khokhlov noted that he had attended the opening ceremony of MSU's new 500-teraflop supercomputer, which he claimed was the seventh fastest in the world and second fastest in Europe. (Note: Press reports after President Medvedev's November 25 visit to the supercomputer said it ranks 12th in the world. End note.) With more than \$15 million investment from the university and the government, MSU is currently constructing a 3000-square-meter Biotech Incubator building. With twenty applications already pending, Science Park officials expect the BioIncubator to open in 2010 and produce up to ten start-ups per year from 2011 onward.

15. (SBU) Khokhlov emphasized that MSU can only realize its three key missions--education, research and innovation--by developing new multidisciplinary educational programs, such as in nanotechnologies. Therefore, in 2008, MSU opened its Educational and Research Center on Nanotechnologies with courses available to fourth- and fifth-year students. Selected faculty from the departments of Physics, Chemistry, Biology, Material Science, Bioengineering and Biocomputing, and Fundamental Medicine teach courses in three specializations: nanosystems and nanodevices, functional nanomaterials, and nanobiomaterials and nanobiotechnologies. According to Khokhlov, the NanoCenter will prepare approximately 50 students per year for careers in Russia's growing nano industry.

16. (SBU) Beginning in February 2010, MSU will select 25 students for a Rusnano-sponsored program at MSU that will allow private

companies to share the costs of training nanospecialists. Khokhlov noted that this is similar to the U.S. private sector's funding for graduate students. A December 2008 MSU-Rusnano cooperative agreement will pay for a modern MSU Innovation Center of Nanotechnology that will train nanospecialists for MSU's existing Nano Educational and Research Center, provide Rusnano with specialists in the project expertise stage, and involve MSU laboratories in Rusnano's certification process.

17. (SBU) Even with the financial crisis, Movsesyan was optimistic that the Science Park can continue incubating 20-25 start-ups per year. However, he and his colleagues commented that the entrepreneurial spirit is less developed in Russia than in the United States because "Russian investors are hesitant to take risks on innovative projects without proof that new products will work." Movsesyan noted that the August 2, 2009 law allowing universities to commercialize technology should enable the Science Park to increase the involvement of scientific leaders and MSU department heads in small business development. (Comment: Neither Movsesyan nor his legal staff were able to explain us how the Science Park operated during the period from the mid-nineties until 2009 when universities were not allowed to have small businesses. Legal experts have told us that the Russian government granted MSU special permission to establish its Science Park due to the influence of its many

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prominent scientists. Deputy Minister of Education and Science Vladimir Miklushevskiy told the press in 2009 that 187 universities would launch 2,500 enterprises, providing jobs for as many as 30,000 graduates. Although other universities have been optimistic with us that they will be able to use this new law to good advantage, they do not have MSU's political clout or relatively robust warchest. In October 2009, Aleksandr Suvorinov, Head of Department of Innovation Development and Technology Commercialization, Federal Agency for Science and Innovations, credited the bilateral Innovation Council on High Technologies (ICHT) recommendations with shaping the law, particularly allowing universities to create small businesses. The law was somewhat controversial, with Senator Nikolay Ryzhkov comparing it to the law in the early nineties that allowed universities to create commercial organizations. "Half the oligarchs whose names you're always hearing are a result of that law," said Ryzhkov. "It's the single most corrupt law and allows for everything we create with state money to be pumped dry." End Comment.)

Technology Transfer and IPR Issues

18. (SBU) Movsesyan explained that Science Park staff makes significant efforts to raise IPR awareness. The concept of safeguarding intellectual property is the first topic his consultants must explain to students and scientists, who often do not understand either the importance of protecting their work or that they "should not disseminate their ideas for free." In 2004, MSU opened a Center for Technology Transfer which provides no cost assistance to scientists who want to commercialize research results.

Working closely with MSU's Science Park, the Tech Transfer office provides educational programs and information for MSU-based small companies and compiles databases of all MSU research results. The MSU Tech Transfer Office provides services to protect IPR, functioning like similar offices at U.S. universities, whereas the Science Park focuses on the incubation of start-ups and creating favorable conditions for small enterprises. Both institutions stated that rightholders in Russia experience problems with IP protection due to deficiencies in IP legislation, lack of clear procedures for civil litigation, and poor IP enforcement in general.

Even before Russia rehailed its IP legislation in 2008 by enacting Part IV of the Civil Code, Russian law allowed for both "exclusive" and "non-exclusive" licensing agreements. Although rightholders have tended to license their IP via "non exclusive" contracts, Movsesyan commented that individual investors may in the future prefer to own their IP on an exclusive basis. The Science Park offers courses on how to protect intellectual property rights, including the legal aspects of concluding exclusive licensing agreements.

¶10. (SBU) Comment: MSU has used its Science Park and the other elements of its innovative infrastructure and its unparalleled political clout and funding to create a comfortable environment to partner with innovative businesses, racking up some impressive results. However, significant obstacles to innovation on a national scale remain. Few universities have the funding to develop high tech clusters with the top-notch equipment, facilities, and staff that MSU offers. President Medvedev is a strong supporter of the National Education Project, begun in 2005, to increase Russia's global competitiveness by improving education. If successful, it will go a long way toward improving innovation and addressing problems with brain drain. But for Russia to become a global player in high tech, as President Medvedev exhorts, it must also do more to

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improve the business environment, foster entrepreneurship, address deficiencies in IP legislation and enforcement, and expand innovative elements of infrastructure nationwide. END COMMENT